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Europe

AID TO FINLAND

Message of the President

[Released to the press by the White House January 16]

Following is an identic letter addressed by the President to the President of the Senate and the Speaker of the House of Representatives:

"JANUARY 16, 1940.

"MY DEAR MR. PRESIDENT:

"(MY DEAR MR. SPEAKER:)

"Last month when the Republic of Finland paid the regular installment on her debt to the United States, I directed the Secretary of the Treasury to place the money in a separate account pending such action, if any, as the Congress might desire to take with respect to it.

"There is without doubt in the United States a great desire for some action to assist Finland to finance the purchase of agricultural surpluses and manufactured products, not including implements of war. There is at the same time undoubted opposition to the creation of precedents which might lead to large credits to nations in Europe, either belligerents or neutrals. No one desires a return to such a status.

"The facts in regard to Finland are just as fully in the possession of every Member of the Congress as they are in the Executive Branch of the Government. There is no hidden information; and the matter of credits to that Republic is wholly within the jurisdiction of the Congress.

"This Government will have early occasion to consider a number of applications for loans to citizens and small countries abroad, especially in Scandinavia and South America.

That raises the question for the determination of the Congress as to whether my recommendation made to the Congress some months ago, for enlarging the revolving fund in a relatively small sum, for relatively small loans, should be considered. It goes without saying that if the applications for loans can be acted upon favorably by the Congress, this matter will be kept within the realm of our neutrality laws and our neutrality policies.

"An extension of credit at this time does not in any way constitute or threaten any so-called 'involvement' in European wars. That much can be taken for granted.

"It seems to me that the most reasonable approach would be action by the Congress authorizing an increase in the revolving credit fund of the Export-Import Bank and authorizing the Reconstruction Finance Corporation to purchase loans and securities from the Export-Import Bank to enable it to finance exportation of agricultural surpluses and manufactured products, not including implements of war.

"It is wholly within the discretion of the Congress to place a ceiling on the amount of such loans. Whether this legislation should include an additional increase in the revolving credit fund of the Export-Import Bank, in order to provide for additional loans to increase our trade with South and Central America, is also within the discretion of the Congress.

"Very sincerely yours,

FRANKLIN D. ROOSEVELT"

AIR BOMBINGS IN FINLAND

[Released to the press January 15]

The American Minister to Finland, Mr. H. F. Arthur Schoenfeld, reported to the Department that the first air bombing at Helsinki since December 25 took place on the afternoon of January 13, and that bombs fell within 250 yards of the new Legation building in which Mr. Frederick Larkin, Chief of the Foreign Service Buildings Office of the Department of State, and Mr. R. R. Montell, Department Supervisor of Construction, were at work. The Minister stated that some civilians were reported killed and injured.

[Released to the press January 15]

The American Minister to Finland has reported to the Department of State that 8 or more Soviet planes flying a southerly course at an altitude of 1,000 meters and below the

clouds at about 10 o'clock of the morning of January 14, dropped not less than 20 incendiary and explosive bombs of varying size and apparently closely grouped over the villa in Koklax occupied by Minister Schoenfeld and Secretaries L. Randolph Higgs and Robert Mills McClintock until January 7 last when they removed to Grankulla.

Mr. Schoenfeld reported further:

"One small incendiary bomb passed through roof of villa and entered living room destroying furniture but fire was extinguished by watchman while numerous holes in various parts of the house were caused by splinters from three large bombs which exploded within 25 yards of the villa. I counted 16 craters of large and small dimensions within one hundred yards of the house. No military objective is known to be in immediate vicinity of the villa."

♦ ♦ ♦ ♦ ♦

REGULATION RELATING TO TRAVEL ON BELLIGERENT VESSELS

[Released to the press January 16]

Following is a regulation relating to travel on belligerent vessels, which is codified under Title 22: Foreign Relations; Chapter I: Department of State; and Subchapter A: The Department, in accordance with the requirements of the *Federal Register* and the *Code of Federal Regulations*:

"Pursuant to the authority contained in the President's Proclamation No. 2374 of November 4, 1939, issued pursuant to section 1 of the Neutrality Act of 1939, I, Cordell Hull, Secretary of State of the United States, hereby prescribe the following regulation, amending the regulations issued on November 6, 1939,¹ as

¹ 22 CFR 55C.1-2. (4 F. R. 4509 DI)

amended by regulations issued on November 17, 1939,² and December 14, 1939,³ relating to travel on belligerent vessels:

"Part 55C—Travel

"§ 55C.3 *American nationals in combat areas—(g) Travel on belligerent vessels in Bay of Fundy.* American nationals may travel on belligerent vessels in the Bay of Fundy and its dependent waters. (Sec. 1, Public Res. 54, 76th Cong., 2d sess., approved Nov. 4, 1939; Proc. No. 2374)

CORDELL HULL
Secretary of State."

"JANUARY 16, 1940."

² 22 CFR 55C.2-3 (b)-(f) (1)-(4). (4 F. R. 4641 DI)

³ 22 CFR 55C.3 (f) (5). (4 F. R. 4871 DI)

The American Republics

THE RELATION OF THE UNION OF AMERICAN REPUBLICS TO WORLD ORGANIZATION

Address by Warren Kelchner ⁴

[Released to the press January 18]

It is important when considering the kind of world organization that can best serve the cause of peace and insure the democratic way of life that attention be given to the relationship and the significance of the inter-American organization for the maintenance of peace and world order. In no other part of the world is there to be found such a promising picture of international cooperation as that presented in the Americas. Nowhere are the relations among a group of nations so friendly and cordial.

The close collaboration among the American republics during recent years, as contrasted with developments in other parts of the world, places increased emphasis upon that relationship which is known as American solidarity. During a short period of a quarter of a century we have witnessed in some parts of the world a vicious circle in international relationships. A World War which cost millions of lives and losses totaling billions of dollars was followed by a desperate attempt to organize internationally for peace. After a short time, misgivings on the part of many nations regarding the effectiveness of such international organization began to multiply, and in the past few years there has been in some quarters a complete and wanton disregard for peace agencies and peace treaties, and with it the unleashing once again of the horrible instruments of war and destruction.

Such is the record of the past 25 years in many parts of the world. Fortunately that is

not the record of the Western Hemisphere. In the Americas there has been a steady and encouraging improvement of relations among the 21 republics. While nations in other parts of the world are engaged in armed conflict, the republics of the New World are enjoying peace and are cooperating wholeheartedly in safeguarding that peace and in devoting their energies to their mutual protection and economic well-being.

In considering the significance of the American organization, it is important to emphasize the foundations and the bases upon which that international structure has been built. In the development of an effective guarantee of international obligations, the spirit and the motives of peoples are more important than the perfection of the mechanism used. The will and the purposes of nations set the pattern for whatever international organization may be established. It is important, therefore, to consider the spirit—the bond or sense of kinship—which has prompted the establishment of the international organization of the Western Hemisphere.

While Europe is under an order based upon force and fear, the Americas are organized on the basis of equality, solidarity, and mutual cooperation and respect. Conscious efforts and firm determination to establish a world order based upon those principles, together with a community of interests and a similarity of traditional and historic background, have led to the development of this solidarity among the 21 independent American nations. The American nations have learned that the sanctity of treaties and international obligations is the cornerstone of confidence and se-

⁴ Delivered before the General Federation of Women's Clubs, Washington, D. C., January 18, 1940. Mr. Kelchner is Chief of the Division of International Conferences in the Department of State.

curity in their relations one with another. Today inter-American solidarity is a real and powerful force for peace and constructive international relations, and it is the one bright spot in a dismal picture of war and destruction.

Inter-American solidarity has always been an ideal of the peoples of the New World. The ideal dates from the very days of independence when Simon Bolívar envisaged an America united as one. A community of interests born out of like desires for liberty and somewhat similar economic and social conditions, prompted cooperation among the colonists in their fight for independence from European domination. During the past few years and especially since the inauguration of the "good neighbor" policy by the United States, there have been remarkable advances in cordial and friendly relations among the American republics.

The peoples of the Americas sense a very real bond of historic unity. The peoples who came to these shores represented many tongues and races and have been merged by common experiences and objectives into the independent nations of the New World. The Americas were founded in order that the oppressed might be given a chance freely to develop, economically, politically, socially, and culturally. The Western Hemisphere has always been the land of opportunity, where the ideals of the peoples are embodied in the principles of liberty, equality, and fraternity. Although of many origins, the peoples are united in a common determination to maintain and develop the American way—the self-governing way of life.

The happy relations now existing among the 21 independent nations of the New World are not the result of some theoretical scheme of international organization nor of a sudden burst of enthusiasm prompted by opportunism. The American international organization has been evolved by a slow, and at times uncertain, process over a period of many decades. It is a system based upon law rather than upon force, upon the juridical equality of every nation regardless of size or power, upon the

scrupulous respect for the sovereign right of all independent nations to develop free from outside force or interference, and upon the sanctity of international obligations and the pledged word.

The international organization of the 21 American republics is unique in the society of nations. It is a voluntary association of sovereign governments established for the purpose of promoting peace, commerce, and friendship by the fostering of their economic, juridical, social, and cultural relations. This organization is called the Union of the American Republics, first organized on April 14, 1890.

The Union of the American Republics has been founded upon the fundamental idea of a community of interests of the nations of the New World. It recognizes and emphasizes the principle of the equality of nations and takes cognizance of a confraternity existing among the 21 states which is the result of geographic, historic, political, economic, and other factors. It would be difficult to find stronger testimony of the general solidarity of the republics of the Western Hemisphere than is provided by the fact that this inter-American enterprise has existed for 50 years and has progressively inspired a stronger and more united support from the member nations.

The Union of the American Republics is a voluntary organization not established on a treaty or contractual basis. It was created in accordance with a mere resolution adopted at Washington on April 14, 1890, at the First International Conference of American States. There is no semblance of the imposition of sanctions or coercion, and each government is free to withdraw from membership at any time. It is significant, however, that during the 50 years of its existence no nation has ever exercised that right.

This loose organization of the American republics operates through numerous political and technical inter-American conferences, through a permanent international secretariat known as the Pan American Union, and through various bureaus, commissions, com-

mittees, and other bodies. These are the agencies, the tangible manifestations of the real and vital force of the solidarity among the American nations.

The activities of the various agencies are loosely coordinated, and none of these agencies has any power to force one nation to do anything which that nation considers injurious to its own national best interests. Although these agencies may lack the power to make arbitrary and dramatic decisions, they do possess a much greater force through the voluntary and unanimous support extended to them.

The Pan American Union is the permanent international secretariat established by the Union of the American Republics. It is an independent, flexible, and technical international institution, having no jurisdiction over political questions. It acts as a clearinghouse of information, deals with technical and cultural matters, and is under the control of a permanent international directorate—the Governing Board. The Governing Board is composed of one representative from each government. Each nation has equal representation regardless of economical, political, or military strength, and there is no compromise of the principle of juridical equality. The Governing Board meets regularly each month and at such other times as may be necessary. It acts as the permanent council to carry out the resolutions of various inter-American conferences and to supervise the permanent secretariat.

On April 14 of this year, the Pan American Union will observe its fiftieth anniversary, and the fact that it is privileged to celebrate this event in peace and friendship is a tribute to its effectiveness. Its growth and development over a period of a half century from a mere commercial bureau under the supervision of one government to a great international secretariat under the guidance and direction of the governments of all of the 21 republics, completely independent from any one government, is a tribute to the courage and the vision of the peoples of the American republics. It represents an outstanding accomplishment in the

development of international organizations to foster peaceful cooperation and constructive economic and social expansion.

Time will not permit me to discuss the various inter-American bureaus, commissions, and other agencies which have been established as a part of the inter-American organization. The Pan American Sanitary Bureau, the American International Institute for the Protection of Childhood, the Inter-American Neutrality Committee, the various permanent committees for the Codification of International Law and the Study of Comparative Legislation, the Permanent Commissions of Investigation and Conciliation, the Inter-American Trade Mark Bureau, the Inter-American Commission of Women, the Inter-American Radio Office, the Pan American Institute of Geography and History, and the Inter-American Financial and Economic Advisory Committee are some of these organizations. The activities of some of these are not as closely coordinated with the activities of the central secretariat, the Pan American Union, as might seem desirable, but all have been established for the definite purpose of promoting cooperation in their respective fields. They fit into the general pattern and each is more or less autonomous with regard to its own activities.

Inter-American conferences occupy probably the most important place in the inter-American organization. During the past 50 years over 100 inter-American conferences have been held. The series of general periodic International Conferences of American States was inaugurated in Washington in 1889-90, and the latest was held in Lima in December 1938. These important diplomatic conferences have been supplemented by scores of technical conferences on economic, cultural, juridical, commercial, and scientific subjects. These inter-American meetings have been instrumental in bringing about a better understanding and appreciation of the problems and accomplishments of the American nations. The personal contacts and friendships established at these meetings have been of inestimable value in the development of this era of good

neighborliness among the American peoples and nations.

Such, in outline, is the inter-American organization. The machinery itself may lack much in perfection, but it responds to the needs and the desires of the 300 million people living in the republics of the Western Hemisphere.

The international organization in the Americas and the continental solidarity which makes it possible may be regarded in two aspects. It may be regarded on the one hand by its manifestations within the hemisphere, such as the nature and the manner in which the states conduct their international relations among themselves as well as the organizations and instrumentalities used. It may also be considered by the evidences outside or beyond the continent, including the attitude toward and the relations with the nations and organizations of other continents. Quite naturally the American nations have devoted most of their attention and energies to putting their own house in order and to the development and consolidation of their own international organization.

Uppermost in the minds of the American peoples has been the preservation and maintenance of the peace of the hemisphere. Strong is the will to peace in the Americas and equally strong is the determination to maintain it. The Americas have evolved over a period of years an elaborate and effective machinery for the settlement of political controversies which is separate from the Pan American Union. During the past 50 years over 30 inter-American disputes have been settled by peaceful methods.

The American nations have concluded 11 different inter-American treaties and conventions which establish investigation, mediation, conciliation, arbitration, and consultation as means for the pacific settlement of their international differences.

Recent examples of the peaceful settlement of American disputes are the Leticia controversy between Colombia and Peru, the difficulties between Haiti and the Dominican Republic, and the long-standing and difficult Chaco

boundary dispute between Bolivia and Paraguay.

These settlements have been made possible only by a strong will and determination to keep the peace and by a spirit of compromise and sacrifice on the part of the disputants. Let it not be said that national interests and honor were not at stake. Sacrifice and national readjustment were required, and it is a tribute to the high sense of the international responsibilities of the leaders and peoples of these nations that they were able to effect an amicable settlement of their differences.

The Inter-American Conference for the Maintenance of Peace was held at Buenos Aires in 1936 upon the suggestion of President Roosevelt for the purpose of perfecting and implementing the inter-American treaties which previously had been concluded. The American republics, recognizing their common obligation to maintain peace in the New World, solemnly agreed at that meeting to consult with each other for the purpose of determining the best means of safeguarding peace whenever the peace of the Americas is menaced. This provision for inter-American consultation offers a prompt and effective method of developing a common and unified attitude whenever a menace may arise either from within or without the hemisphere. Consultation by the Ministers of Foreign Affairs or their representatives, agreed upon at Buenos Aires, is an effective means by which the American nations can promptly and effectively cope with any emergency or crisis that might arise. The Buenos Aires Conference also adopted a Declaration of Principles of Inter-American Solidarity and Cooperation in which they declared that every act susceptible of disturbing the peace of the Americas affects each and every one of them. It adopted what may be called a charter of the Americas for the Americans.

The Eighth International Conference of American States held in Lima in 1938 took definite action for the first time concerning the relationship which should maintain between the nations of this hemisphere and the rest of the world. It met at a time when the European crisis was nearing the breaking

point, and the American nations unanimously agreed to make a common front against any attempt to encroach upon the rights of the Americas or to subvert their institutions.

The most significant and far-reaching action taken at the Eighth Conference was the adoption of the Declaration of Lima, affirming the unity of the hemisphere vis-à-vis the rest of the world and the following principles of inter-Americanism: Republican institutions, will to peace, tolerance, adherence to the tenets of international law, equal sovereignty of states, and individual liberty without religious or racial prejudices.

The governments declared:

"First. . . their continental solidarity and their purpose to collaborate in the maintenance of the principles upon which the said solidarity is based.

"Second. That faithful to the above-mentioned principles and to their absolute sovereignty, they reaffirm their decision to maintain them and to defend them against all foreign intervention or activity that may threaten them.

"Third. And in case the peace, security or territorial integrity of any American republic is thus threatened by acts of any nature that may impair them, they proclaim their common concern and their determination to make effective their solidarity, coordinating their respective sovereign wills by means of the procedure of consultation."

This Declaration is a strong affirmation of the intention of the American nations to maintain these principles and to defend themselves against foreign aggression. It proclaims that any attack, direct or indirect, on any one of the American republics is a matter of mutual concern to all of the American nations and that they agree to consult immediately in case the peace, security, or territorial integrity of any may be threatened. It proclaimed the essential integrity and solidarity of the New World. It provided a method of coping with foreign aggression, but the exact measures which might be needed to safeguard their integrity

were to be determined in each case by consultation.

The outbreak of the European war brought about a state of affairs which seriously jeopardized the national and the collective interests of the American republics. Economic transportation, financial and trade relations were interrupted or endangered over night, and it became apparent that there had arisen an emergency affecting all the republics which was the very type of situation calling for consultation. On September 23 the Ministers of Foreign Affairs or their representatives of all the 21 American republics met at Panamá to seek the most effective means of guaranteeing their legitimate interests and of preserving the peace of the Americas in face of the threatening menace.

They assembled on equal terms to consider the peaceful measures that their governments might take individually and collectively in order to safeguard their neutrality; in order to preserve so far as possible their economic and commercial interests from dislocation as the result of the outbreak of war; and in order to keep war away from this hemisphere.

At this consultative meeting the Ministers of Foreign Affairs of the 21 American republics unanimously agreed upon the already historic Declaration of Panamá. This Declaration sets forth the principle that the American nations as neutrals are entitled as an inherent right of self-protection to have the waters adjacent to their shores which they consider as of primary and direct utility in their relations, free from the commission of hostile acts by any non-American belligerent. It provides that in case of serious infringement upon these rights the governments will consult to determine such measures as may be necessary.

This Declaration of Panamá states a new rule of neutral security for the Americas. There is no provision for the use of force since force is wholly incompatible with the very spirit of the Declaration. It provides that the American republics will endeavor to secure compliance through joint representations to the belligerents. It also provides that the gov-

ernments, whenever they consider it necessary, will consult to determine upon the measures which they may individually or collectively undertake. This was the procedure followed in the recent protest to England, France, and Germany concerning the maritime activities in the South Atlantic.

This meeting also provided for the establishment of an Inter-American Financial and Economic Advisory Committee consisting of 21 experts, one from each American government, to consider the problems incident to the economic and financial dislocation brought about by the European war. This Committee was installed in Washington on November 15, 1939, and has been actively considering various problems of a financial and economic character dealing with monetary relationships, foreign exchange, and trade relations.

The Panamá meeting unanimously adopted certain rules which they will follow in maintaining their rights as neutrals. It also provided for an Inter-American Neutrality Committee of seven experts to study and coordinate neutrality problems during the present war. This Committee is now in session in Rio de Janeiro and is formulating recommendations in the light of experience and changing conditions.

The meeting of the Foreign Ministers at Panamá was the first time that the procedure of consultation established by the agreements signed at Buenos Aires and at Lima was put into effect. The rapidity with which this meeting was convened, scarcely 3 weeks after the outbreak of hostilities in Europe, is evidence that the procedure of consultation in the Americas is an effective agency whenever an emergency or crisis should arise. It is heartening that the 21 American nations, through consultation and constant exchange of views, are finding themselves so firmly united for common action.

The Americas in developing their organization have in no sense adopted a policy of continental isolation. The purpose is not to detach the continent from the community of nations but rather to regulate their own lives

in a peaceful and orderly manner. They have given practical demonstration that collaboration of equal sovereign nations can succeed in establishing freedom, peace, and prosperity.

There is nothing in this regional organization that is inconsistent with world organization. Many delicate international problems are local in character or limited to a small group of nations, and it would seem practical that such matters be solved by those nations which have a real, intimate, and vital interest in them. Regional organization places the responsibility upon those nations having similar interests for the solution of their own peculiar problems. Should there be effective regional organizations, a world system of cooperation would then only be required to devote its energies and its efforts to those universal problems which affect all nations.

The question of developing some form of effective international organization throughout the world should no longer be one of nationalism versus internationalism. It should no longer be a matter of prejudice or partisanship. After the present conflicts are over there will be a greater necessity than ever before to establish some coordinated method of international relationship if modern civilization is to be preserved.

International organization, however, will not alone be sufficient. The tragedy of the present situation is not that there is insufficient organization. It is that the spiritual and moral foundations upon which international and national life depend are being undermined and disregarded.

Fundamentally the responsibility for the maintenance of peace in all parts of the world as well as in the Western Hemisphere rests upon the people. Peace machinery may be established, wars may be outlawed, treaties may be solemnly entered into, but the effectiveness of such measures depends upon the extent to which the peoples will work together to build a better world in which to live. It is in this great responsibility that organizations such as those represented here today in the General Federation of Women's Clubs can play such an important role.

The American peoples are behind their governments in the employment of reason and justice in their international relations rather than the barbaric methods of another age. The American nations can contribute materially to world peace by continuing to adhere to those cardinal democratic principles of equality, the sanctity of treaties, respect for the sovereignty and independence of others, the conviction that mutual benefits are derived from cooperative efforts and that peace can be maintained only by sacrifice and by a posi-

tive and constructive approach. The peoples of the New World, witnessing each day a progressive destruction of more and more of the fundamental principles of human progress, realize more clearly their joint responsibility to future generations as the trustees of modern civilization.

The Americas are holding out to a darkened world the beacon of a secure and permanent peace and by so doing are setting an example which may some day help in restoring law and order throughout the world.

Commercial Policy

STATEMENT BY ASSISTANT SECRETARY GRADY BEFORE THE HOUSE WAYS AND MEANS COMMITTEE⁵

[Released to the press January 17]

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: The question before you is that of renewing for a further period of 3 years the authority to negotiate trade agreements with foreign countries which was originally conferred upon the President by the act of June 12, 1934, and was extended by joint resolution approved March 1, 1937. Unless action is taken by Congress to extend further the term of this authority, it will expire on June 12, 1940. It, therefore, becomes the responsibility of Congress to decide whether to allow this authority to terminate, or whether to continue to place upon the executive branch of the Government the responsibility for dealing with the urgent, difficult, and important problems of our trade relations with foreign countries by this means. My purpose in appearing before you is to place myself at your service, in the desire to provide you with the fullest information to aid you in the discharge of your present responsibility.

⁵ Delivered January 17, 1940, in the course of hearings on H. J. Res. 407, to extend the authority of the President to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended.

In his statement before you last Thursday,⁶ the Secretary of State set the broader aspects of the trade-agreements program before you, so that you might view the situation in full and true perspective. I shall endeavor to provide you with more detailed information regarding the various important aspects of this subject. I believe that I can best be of service to you by answering such questions as you may have, after first reviewing some of the salient points.

This is not the first time that this issue has been before you. Twice before in recent years you have had occasion to consider it: in 1934, when the President originally recommended the enactment of this authority, and in 1937 when you had before you, as you have today, the question of its continuance. The exhaustive and thorough consideration you gave to the subject, the full record of your earlier hearings, the comprehensive and accurate review of all essential phases of the subject in the reports of your Committee to the House of Representatives, provide an appropriate and

⁶ See the *Bulletin* of January 13, 1940 (Vol. II, No. 29), pp. 29-38.

useful point of departure for your present review of the subject.

The purpose of the Trade Agreements Act is to contribute to the national economic welfare by reestablishing conditions favorable to a sound and profitable expansion of our foreign trade. It is to be emphasized that the objective is an *increase* in economic activity to the common benefit of all concerned.

The foreign trade of the United States is a vast and intricate business, closely interwoven into the whole web of our entire national economic activity. I present herewith a chart which shows how our trade, both imports and exports, consists of products ranging through all economic classes, from primary raw materials to fully manufactured products.

[*Exhibit: Chart of United States Trade With All Countries, by Economic Classes, 1929, 1937, 1938*]

It is of some interest to note that in 1938, as in 1929, about one-half of our exports consisted of fully manufactured products representing a fair cross-section of American industry. This demonstrates the fact that a great many of our industries, despite high wage levels and shorter working hours, are able to compete successfully in world markets, where they do not have the protection of the American tariff.

The administration of this program is based upon an organization equipped to assemble and consider information regarding all of the thousands of diverse products of which this trade is composed. This is accomplished by means of a wide and close-knit interdepartmental organization, through which the efficient and continuous cooperation of the five Government agencies primarily concerned with our foreign trade is brought to bear upon the problems involved in carrying out the Trade Agreements Act.

The procedure followed is that of negotiating trade agreements with individual foreign countries for the reciprocal reduction of excessive trade barriers and the removal of discriminations. There has been much misunderstanding of the significance of the policy of unconditional most-favored-nation treatment, which

is in actual fact simply the basic principle of equal treatment. By adapting the traditional most-favored-nation policy to the new circumstances which the trade and exchange controls of recent years impose upon our foreign trade, the reciprocal trade agreements have been providing a widening area of equality of treatment and have been building a structure of economic sanity and cooperation in strong contrast to the conflict and discord which darkens so much of the international scene.

Because our method is the negotiation of bilateral agreements with individual countries, the mistaken view is often held that the benefits provided by these agreements should not be generalized to other countries, but should be restricted to the trade between ourselves and the country with which each agreement is negotiated. This policy would involve the application of discriminations which would provoke retaliations, and would draw us into the trade-restricting policies followed by those governments which seek to balance their imports and exports with individual countries. What such a policy of bilateral balancing would mean to the trade of the United States is graphically suggested by this chart, which shows our exports to and imports from the 20 countries which were our chief foreign markets in 1938.

[*Exhibit: Chart of Our Chief Markets and Suppliers in 1938*]

With 16 of these 20 countries, our exports exceed our imports. A bilateral balancing of our trade with these countries, such as is implied in the common notions regarding barter agreements, would mean either a larger increase in our imports or, what would more probably be the result, a severe decline in our exports to most of these countries, and especially to those which are the outstanding markets for our surplus farm products.

When your Committee held its hearings in January 1937, 15 reciprocal trade agreements had been concluded with as many foreign countries. Seven additional trade agreements concluded since then bring the total to 22 agreements, not including 2 very recent supplemen-

tal agreements with Canada and Cuba. I would like to submit for the record at this point the Trade Agreements Calendar, which lists the agreements now in effect.

[*Exhibit: Trade-Agreements Calendar*]

The most important of the 7 trade agreements concluded since 1937 is that with the Government of the United Kingdom, covering our trade with the United Kingdom, Newfoundland, and the British Colonial Empire. This agreement was negotiated concurrently with a new agreement with Canada. The other agreements concluded since your Committee's hearings in January 1937 are those with the Governments of Ecuador, El Salvador, Venezuela, Czechoslovakia, and Turkey. The operation of the agreement with Czechoslovakia was suspended in April 1939 for reasons too well known to require mention here.

The 15 agreements concluded and in effect in January 1937 were with countries accounting, on the basis of statistics for 1934, for 37.7 percent of our foreign trade. The 19 countries with which trade agreements are today in effect account for 57.5 percent of our foreign trade on the basis of statistics for the same year, and for about 60 percent of our foreign trade at this time.

In 1937 your Committee, in its report on the extension of the authority to negotiate trade agreements, took note of certain alarmist references which had been made to the decline in our excess of exports over imports. Your Committee pointed out that there was no cause for alarm in this development, and stated:

"What the Committee desires to stress as of paramount importance is the fact that trade in both directions has expanded greatly in 1936—in fact, by more than a half billion dollars." (75th Cong., 1st sess., House of Representatives, Committee on Ways and Means, Report No. 166, Feb. 1, 1937, p. 7)

Since 1936, our exports have continued to maintain a level above that of preceding years. They rose from 2,456 millions of dollars in 1936 to 3,349 millions in 1937. Despite the decline in our domestic activity beginning in the latter

part of 1937, our exports maintained a value of 3,094 millions of dollars for 1938; for the year 1939 the estimate of the Department of Commerce is 3,100 millions of dollars. Our merchandise imports have shown a more fluctuating course: from 2,423 millions of dollars in 1936 they rose to 3,084 millions in 1937 and declined to 1,960 millions in 1938. For 1939 the Department of Commerce estimates the total of our imports at 2,300 millions of dollars.

In its report of February 1, 1937, your Committee noted a more rapid increase of exports to countries with which trade agreements were in force than to others. (75th Cong., 1st sess., House of Representatives, Committee on Ways and Means, Report No. 166, Feb. 1, 1937, p. 5) With the negotiation and coming into force of additional trade agreements since then, this tendency has continued and affords definite evidence of the influence of these trade agreements, among the many other factors which determine the course and size of our trade, toward a restoration of our foreign markets. The chart submitted herewith for incorporation in the record shows clearly this general trend.

[*Exhibit: Increase in United States Exports and Imports, 1938-39 over 1934-35*]

Of course it is not to be assumed that in every instance our trade with a trade-agreement country has increased more rapidly than our trade with every nonagreement country. What is significant, however, is the general but very evident confirmation of the natural expectation that the reduction of trade barriers effected by trade agreements would stimulate our trade. You will note that this comparison between the periods 1934-35 and 1938-39, shows a 50-percent increase in exports to trade-agreement countries as compared with a 28.3-percent increase to other countries, and a 17.8-percent increase in imports from trade-agreement countries as compared with an 11.3-percent increase in imports from other countries.

A few words may be in order here with regard to our export balance and the problem of obtaining payment for our exports. In

1937 your Committee commented upon a decline in our export balance. Today we find the opposite—an excess of exports of very large proportions. I submit a table which shows, for each year since 1913, our balances of merchandise trade and of exports and imports of gold and silver.

[*Exhibit: United States Balance of Merchandise Trade and of Gold and Silver*]

The heavy export balances of the years 1915 to 1919 accompanied, it will be remembered, a change in our position from debtor to creditor on international account. The large export balances in most of the years from 1924 to 1930 were recorded during a period of heavy and indiscriminate lending to foreign countries. The more recent increase in our export balance from the low point in 1936 has accompanied an immense increase in our net imports of gold, which reached nearly 2 billions of dollars in 1938 and exceeded 3 billions in 1939.

Since 1914 we have learned a great deal about our dealings with the rest of the world in commodities, shipping, travel, credit and capital, and other items which go to make up our balance of international payments. The heavy inflow of gold in recent years is of course related to other factors besides our commodity balance, but for 1938 and 1939 the relation of our commodity balance to our gold imports appears particularly close. In the last 2 years, during which our net gold imports (not including earmarked gold) were well over 4½ billions of dollars, the sale of our products and services abroad has exceeded by at least 2 billion dollars the income of foreign countries from products and services delivered to us, that is, their ability to repay out of their current business with us.

I would like to call your attention to this table, which shows the comparative size of the net debit and credit items in our balance of payments for 1938. The debit items, of course, represent transactions which resulted in dollar payments to us from abroad, and the credit items those which involved dollar payments from us to the rest of the world. The degree to which our commodity export balance

and our gold imports were the outstanding debit and credit items, respectively, is clearly shown.

[*Exhibit: Balance of International Payments of the United States, 1938*]

The entire course of events subsequent to 1937 has served only to reemphasize the accuracy and significance of your Committee's conclusions, as expressed in your report of February 1, 1937, to the House of Representatives, in which you stated:

"Our net creditor position and our desire to maintain and expand our export trade, render desirable and necessary a growing volume of imports, provided only that they do not disrupt and dislocate domestic industries but, rather, contribute to a rising prosperity in which all branches of our economic life may share. The caution with which the trade-agreements program has been administered in this latter regard; the higher levels of prices and prosperity in the very industries in which duties have been reduced, as well as in others; and the nature of the increased imports as indicated by the foregoing analysis—all attest to the fact that the adjustments that have been taking place are fundamentally in the economic interest of the country as a whole." (75th Cong., 1st sess., House of Representatives, Committee on Ways and Means, Report No. 166, Feb. 1, 1937, p. 7)

The outbreak of war has, of course, accentuated the strain upon foreign currencies. Temporarily, foreign purchasers give war planes priority over apples—to paraphrase Herr Goering—but there continues to exist a large and urgent need for our lard, fruit, machinery, and other products. The scarcity of dollar exchange constitutes the chief obstacle in the task of restoring and preserving our export markets for our basic industries. The only healthy solution is an all-around expansion of the exchange of our own goods and services for foreign goods and services. It was the failure to face this key problem that dislocated trade, created trade and exchange restrictions, caused economic distress, and, in

swift and disastrous succession, has brought about extreme nationalism, autarchy, aggression, and war.

It seems hardly necessary to recall the clear warnings in which Secretary Hull repeatedly pointed out the catastrophic effects of short-sighted selfishness in the trade practices of nations, including our own. The lessons that prosperity cannot be attained by economic isolation, that exports cannot be independent of imports, and that peace cannot be preserved without enlightened self-interest in the intelligent solution of world economic issues is a daily theme on the front page of every newspaper in the country.

The outbreak of warfare in Europe has brought to the fore one aspect of our trade-agreement relations with foreign countries which has been the subject of sufficient misunderstanding to warrant some comment here.

Several of the governments with which we have concluded agreements, being now in a state of war to which we fortunately are not a party, have taken emergency action which they deemed to be necessary for the preservation of their vital interests. It is, of course, incumbent upon these governments to endeavor to limit action affecting our trade to the measures necessary to meet their emergency. We are, of course, following their actions with close attention, with a view to being prepared to take all appropriate and justified steps.

There are some people who claim that the effect of this situation has been to give the other government a free hand while leaving us unilaterally bound to the terms of our agreement without obtaining its benefits. I may remark that those who make this argument are generally to be found among those who were never in favor of the conclusion of these agreements in the first place.

Among the things these people overlook is the fact that the concessions we granted in these agreements were made only after painstaking study and consideration of the real needs of the domestic producers concerned. The events which have resulted in the taking of emergency action by the other governments have not in general made these concessions any

less justified insofar as the real needs of our domestic producers for tariff protection are concerned. In many cases the opposite is more likely to be true.

On the other hand, if these concessions were not in effect, if higher tariff rates impeded our continuing purchases from the countries whose governments have taken these emergency measures, the effect would be to aggravate the problem facing those American interests, be they exporters of apples, or tobacco, or any other product, whose sales abroad are affected by the emergency measures. For the result of further diminished imports from these countries would be a further reduction of such surplus of dollar exchange as these countries may have available for the purchase of our ordinary products, after their emergency needs are satisfied.

There are, as the Committee has been aware, a number of outstanding aspects of this program which have been and continue to be the subject of controversy. I believe it will save the time of the Committee if I discuss them very briefly at this time.

CONSTITUTIONALITY OF THE TRADE AGREEMENTS ACT

The first subject that I want to mention is the question of the constitutionality of the Trade Agreements Act. As the Committee will remember, this subject was gone into at length at the time of the original enactment of the Trade Agreements Act in 1934 and again in 1937 when the act was renewed. I do not want to weary the Committee with a repetition of all the arguments that were presented on those two earlier occasions. They were, of course, printed in full in the testimony before this Committee. (Extending Reciprocal Foreign Trade Agreements Act—Hearings before the Committee on Ways and Means, House of Representatives, 75th Cong., 1st sess., Jan. 22, 1937, pp. 138-143)

I will simply say first, that the act was carefully drafted with a view to bringing it within recognized constitutional principles; second, that on both occasions when the matter was up

for congressional consideration Congress gave careful study to the question and concluded that there were ample precedents for such legislation; and, finally, that while we realize, of course, that there are some in Congress and outside who are honestly of the opinion that the act is unconstitutional, we are wholly confident on the basis of the ample precedents which have been established that the act is entirely constitutional.

I should like to offer for the record at this point a recent article on the subject by the Honorable Francis B. Sayre, former Assistant Secretary of State, which appeared in the *Columbia Law Review*. ("The Constitutionality of the Trade Agreements Act," by Francis B. Sayre, *Columbia Law Review*, May 1939, Vol. XXXIX, No. 5, pp. 751-775)

[*Exhibit: Article from Columbia Law Review*]

DEMOCRATIC CHARACTER OF TRADE-AGREEMENT PROCEDURE

Apart from the question of constitutionality of the act, however, it is still pertinent to ask whether the delegation of authority to the Executive in the Trade Agreements Act and the manner in which it has been administered, are wholly in accord with democratic principles. In other words is the procedure in harmony with the spirit of our democratic institutions?

First of all I should like to say that in my opinion if the Congress had not felt on the two previous occasions when this matter came up that the Trade Agreements Act was in accord with the fundamental principles of democracy and Americanism, then it would surely never have passed the act in the first place and renewed it in 1937. Nor, in my opinion, is there any question that it was correct in the view that it is in accord with these principles.

What, in essence, does this act do with regard to the delegation of authority? It lays down certain standards for the guidance of the Executive in attempting, through negotiations with foreign countries, to bring about a mutual reduction of trade barriers. Having set up

these definite standards of performance, it leaves to the Executive the detailed and highly technical job of adjusting actual rates of tariff duty on hundreds of items in accordance with the broad requirements of the law, all for the purpose of attaining certain definite objectives laid down in the law.

Moreover, the act requires public notice and an opportunity for all interested persons to present their views in connection with each proposed agreement. Furthermore, it requires consultation, before an agreement is concluded, with those agencies of the Federal Government which have long dealt with various aspects of our foreign trade.

The procedure adopted in the administration of the act, with a view to giving the most complete effectiveness to these standards and safeguards, was described in detail in testimony submitted to your Committee in 1937 and published in the record of your hearings. (Extending Reciprocal Foreign Trade Agreement Act—Hearings before the Committee on Ways and Means, House of Representatives, 75th Cong., 1st sess., Jan. 22, 1937, pp. 127-134) The additional steps in procedure which had been recently adopted at the time of your earlier hearings, as described in the testimony above referred to—namely, the public listing of products on which concessions may be granted and the extension of the functions of the Committee for Reciprocity Information—have proved successful in operation and useful, and they have been continued.

The Senate Finance Committee in 1937 reached the conclusion that the act "wisely combined the very features of our legislative procedure which assure democratic regard for individual interests with the only method by which the legislature can insure the effective carrying out of its policies." (United States Senate, Committee on Finance, 75th Cong., 1st sess., Report No. 111, Feb. 19, 1937, p. 4)

Surely this procedure is clearly democratic and fundamentally sound. As the problems of Government have become more and more complex, there has been a tendency in all democratic governments, including our own, for legislatures to concentrate their attention in-

creasingly upon the determination of policy under broad rules of guidance for its execution, while leaving to the executive agencies the highly complex and technical details of administration. This is what Congress has done in the present act.

SENATE RATIFICATION

Contrast this from the standpoint of democracy and Americanism with the old logrolling methods of tariff making. If the old logrolling methods of tariff making have proved an admitted failure, what are we to say about the proposal advanced in some quarters that all trade agreements should be subject to Senate ratification?

The fact of the matter is that this method has already been tried and found wanting. As was made clear in the testimony before this Committee in 1934 and in 1937 (Extending Reciprocal Foreign Trade Agreements Act—Hearings before the Committee on Ways and Means, 75th Cong., 1st sess., Jan. 22, 1937, pp. 124-127), this country went through a number of sad experiences in its past history with this method of trade negotiation. The upshot of our experience was that the agreements negotiated subject to such approval were practically never ratified.

Here are the facts: In the whole history of this country there were only three reciprocity treaties which secured congressional approval, namely, those with Canada in 1854, Hawaii in 1875, and Cuba in 1902. All three of these cases involved countries with which we had close geographic or political ties. On the other hand there were negotiated, under either general or specific authority, about 22 reciprocity treaties subject to congressional approval, and of these not a single one became effective.

In contrast to this record, prior to the enactment of the Trade Agreements Act, some 26 agreements were negotiated and made effective under statutes which called for no congressional approval. To this total must be added the 22 agreements (and 2 additional supplemental agreements) which have been negoti-

ated and became effective under the present Trade Agreements Act.

I should like to submit for the record a memorandum recently prepared in the Department which goes more fully into this subject.

[*Exhibit:* Memorandum entitled "Senate Ratification of Trade Agreements"]

One sometimes hears it said that the requirement of legislative ratification is one that prevails in most foreign countries and that a democratic country like our own should surely require no less.

The facts are, however, that most of the countries which require such ratification are able to put the agreements immediately into effect, subject to later ratification; and this subsequent ratification is itself largely a matter of form. For example, take the case of the United Kingdom. Agreements negotiated by the United Kingdom are, it is true, subject to ratification by Parliament. But under the parliamentary form of government, where the Cabinet members are themselves leaders of the majority in Parliament, on issues of this sort where the continuance of the Ministry in office is at stake ratification largely follows as a matter of course.

It must also not be forgotten that if a program for the reduction of trade barriers by reciprocal negotiations is to be effective, it must allow for the prompt entry into effect of the agreements when they are concluded. A process which would require many months, if not years, after agreement is reached with another government before the terms of that agreement can become operative would not only subject the benefits to ourselves from such agreements to undue delay, but would seriously diminish the interest of the other government in entering into the extensive and detailed negotiations necessary to reach agreement in the first place.

I am not raising here any question as to whether the control of fundamental tariff policy should remain in the hands of Congress. There cannot be any question as to that. The very fact that it is necessary to come to Congress from time to time to secure renewal of

the act, on the basis of the careful limitations of authority laid down by the Congress, is itself evidence that the fundamental tariff-making power continues, as always, to reside with Congress. What I am now saying is, that to require Senate ratification of trade agreements would be not merely a check on the authority to be exercised by the Executive, but a complete *blackout*. Let there be no misunderstanding on this score, and no mincing of words: ratification is tantamount to repeal.

THE COST-OF-PRODUCTION FORMULA

There are some, including persons prominent in public affairs, who share the general aversion to a return to the old logrolling tariff process in Congress but who would nevertheless prefer another form of tariff adjustment by executive action, in place of the method laid down in the Trade Agreements Act. I refer to the advocacy of tariff adjustments by unilateral action under the rule of differences in cost of production at home and abroad. This device has been so fully discussed in recent years that I shall content myself merely with reminding the Committee of the salient objections to it.

First let me point out that any policy involving adjustments in our own tariffs alone would disregard entirely a factor of vital importance to our foreign trade, namely, the trade restrictions imposed by other countries which have so seriously cut down the opportunities for the sale of our export surpluses. Under the Trade Agreements Act any adjustments downward in our tariff are made conditional upon similar action by foreign countries.

With reference to the cost formula as a device for tariff adjustment by executive action, I believe I may safely say that no competent authority or expert in this field could be found who would indorse it as an exclusive criterion for this purpose.

In the first place, it is unsound as a policy. As pointed out by the former Chairman of the Tariff Commission, the Honorable Robert

Lincoln O'Brien, in his testimony before the Senate Finance Committee in 1934:

"... The notion that tariffs between countries should rest upon differences in cost of production, even if omniscience should give us the power to determine them, is all wrong. The tariff is a question of national policy; on some things, you ought to have a tariff greater than the difference in the cost of production; other things, less than the difference in cost of production." (Reciprocal Trade Agreements, Hearings before the Committee on Finance, United States Senate, 73d Cong., 2d sess., Apr. 27, 1934, pp. 143-144)

But even if it were a sound criterion in theory—which it is not—it is utterly impossible in practice to apply this formula as the sole basis for tariff adjustment. Cost data adequate for this purpose can rarely be obtained; experience has shown that the attempt to obtain cost data from foreign producers is apt to arouse great resentment abroad against the United States. Even in cases where full data are obtainable, a wide variation of costs as among different producers is likely to exist. Moreover, even in such cases the process of calculation involves so many variables that the cost rule as an exact criterion becomes purely fictitious. On the basis of the same data different persons are likely to get different results in harmony with their respective tariff philosophies.

The late Thomas Walker Page, for many years Vice Chairman of the Tariff Commission, and a world authority on the tariff, condemned the formula unreservedly in his book on tariff making, published by the Brookings Institution. He states that, "To use as the basis of a general tariff act a thing so fleeting, evasive, and shadowy would be neither right nor possible." (Thomas Walker Page, *Making the Tariff in the United States*, Washington, D. C., The Brookings Institution, 1930, p. 99)

It is of course true that reliable cost data should be taken into full account, to the extent that they are obtainable. In the work of administering the trade-agreements program,

with the able assistance of the expert and trained personnel of the Tariff Commission, costs are taken into account. But other factors must all be given due weight in reaching conclusions, including the relation of imports of a particular product to domestic production and exports of the same product, the extent of domestic resources and capital investment, the height of the existing tariff rate and the extent to which it is effective, the possibility that domestic production of a precisely similar product is negligible, or that imports, because of the location of the industry or of the domestic markets or for other reasons can never supply more than a small percentage of our consumption.

As the sole basis for tariff adjustment the cost rule is unsound in theory and inapplicable in practice. Recently, in a letter to Senator Vandenberg, Secretary Hull had occasion to go into this matter in some detail, and I should like to offer the Secretary's letter for the record at this point.

[*Exhibit:* Letter from the Secretary of State to Senator Arthur H. Vandenberg, Dec. 15, 1939]

The method of tariff adjustment that is required in the present emergency in our foreign trade and in world trade is one that will enable us to reopen the channels of trade by reducing excessive barriers to trade and inducing other countries to do likewise. That is precisely what the trade-agreement method does, and precisely what tariff adjustment by the cost formula would *not* do.

In 1937, when the Trade Agreements Act was up for renewal, your Committee examined this whole matter carefully; and I would like to remind the Committee that what I have been saying is in direct line with the conclusions reached by the Committee in its report to the House at that time, from which I would like to quote as follows:

"Quite apart from basic objections as to the principle involved, concerning which these critics are wholly in accord, there is complete agreement among them that the formula is wholly incapable of scientific administration.

Complete data can seldom be obtained, especially in foreign countries, and when obtained are frequently of little value. Of agricultural products the costs tend to fluctuate widely from year to year with the vicissitudes of the weather. Joint products and by-products offer a wide latitude for the vagaries of the cost accountants. In any country the costs are likely to be as numerous as the producers of the item. There is no such thing as 'the' cost. Such variables as these, and others, reduce to complete absurdity the notion that this formula, which has all the outward aspects of a definite standard, is, in fact, any standard at all. These limitations of the formula further reinforce the committee's view that it would be unwise and impracticable to incorporate it into the Trade Agreements Act." (House of Representatives, Committee on Ways and Means, 75th Cong., 1st sess., Report No. 166, Feb. 1, 1937, p. 13)

THE MOST-FAVORED-NATION POLICY

There is one aspect of the trade-agreements program which has been the subject of considerable confusion and misunderstanding, and that is the most-favored-nation policy. Consequently, I would like to take this occasion again to emphasize why this is the only sensible and practicable policy for this country to pursue.

Let me first mention the broader aspects. A policy of discriminatory treatment leads to retaliation, trade wars, and general anarchy in international commercial relations. On the other hand, a policy of equality of treatment is conducive to orderly and amicable international relations and to the expansion of international trade.

Vital as these broad considerations of national policy are, there will be some, I am sure, who will say that these general considerations are all very well but how does the most-favored-nation policy stand up as a straight trading proposition—the kind that the hard-headed American businessman would adopt? What does it mean in plain dollars and cents advantage for this country?

I submit that any hard-headed American businessman possessed of all the facts would find that sound business judgment would permit the adoption of no other policy. Let me illustrate.

In each of our trade agreements we include the most-favored-nation clause in its unconditional form. Why? Because if we did not, the duty and other concessions we obtain from the other foreign countries concerned would not be worth the paper they are written on. Suppose, for example, we obtain in an agreement a reduction in a foreign country's duty on, say, lard from 50 percent to 25 percent. If after our agreement is concluded the foreign country should make an agreement with a third country, and reduce the rate to 10 percent, while we continue to pay our contractual rate of 25 percent, the value of the concession to us is destroyed because our competitors will take the market. The most-favored-nation clause prevents this. It would require that the 10-percent rate should be immediately extended to us. The clause thus prevents the concessions we obtain from being undermined by greater concessions being extended to our competitors and withheld from us.

Moreover, the clause immediately obtains for us all of the lower rates previously applied to imports from our competitors. For example, in the trade agreement with France, we received a pledge of most-favored-nation treatment which protracted negotiations in the years preceding the adoption of the trade-agreements program had failed to obtain for us. As a result of this pledge we immediately obtained more favorable tariff treatment with respect to more than four thousand French tariff items, in addition to the numerous tariff and quota concessions in favor of American products which were specifically included in the agreement.

Under our first trade agreement with Canada we obtained under the most-favored-nation clause, in addition to the many concessions specifically provided for, lower duties in respect of American products covered by about six hundred items of the Canadian tariff, rep-

resenting about 30 percent of our exports to Canada. This advantage has of course been continued under the second agreement.

Is it not obvious, therefore, that the inclusion of the most-favored-nation clause in our trade agreements is nothing in the world but plain, ordinary sound business sense?

But what of the idea of extending duty reductions made in an agreement with one country to other countries generally. It is sometimes asserted that this means giving something for nothing. There is only one trouble with such assertions: they are not true. In fact we get a good deal more than we give.

Let me make clear the basis for this statement. In the first place our policy as laid down in the Trade Agreements Act is to extend duty reductions made under our trade agreements to countries which on their part do not discriminate against us. For example, to countries which extend to our products the benefit of concessions which they make in their agreements with third countries. In other words, our minimum tariff rates are extended to countries which in turn extend their minimum tariff rates to us. Can anyone suppose that if the duty reductions made in our trade agreements were not extended to a third country, that country would nevertheless out of the goodness of its heart extend to us its minimum tariff rates? The question answers itself.

Would it be sound business judgment to make an agreement which would improve our trade with one country, and then, by refusing to generalize these rates, subject our trade with numerous other countries to discriminatory treatment? Would it be good business to pursue a policy which resulted in a gain to our trade with a country but which would cause serious trade losses with all the rest of the countries in the alphabet? I think not, and I think any hard-headed Yankee trader who had the full situation before him would agree with me.

In brief, the most-favored-nation policy definitely is not an altruistic one. It is a sound practical business proposition.

TRADE AGREEMENTS BENEFICIAL TO THE AMERICAN FARMER

There has been widespread interest in the relationship of the trade-agreements program to the welfare of American agriculture. This has been so thoroughly and fully discussed that I do not desire to prolong the discussion, especially since the Secretary of Agriculture himself has testified before you on the subject only last Friday. This subject is so important, however, that I would not be able to consider my statement complete without touching at least very briefly upon it.

Despite the claims made in various quarters that the program has been hurtful to the interests of the American farmer, the evidence shows positively, upon the basis of any calm, unbiased study of the whole fundamental problem of agriculture's interest in foreign trade and of the facts concerning the trade agreements which have been negotiated, that precisely the contrary is true. The program has helped, not hurt, the American farmer.

Where the contrary opinion is held, it is usually argued under the slogan "the American Market for the American Farmer." I would like to point out that, for all practical purposes, the American farmer has the American market. This is clearly evident from these charts to which I would like to call your attention, charts which have been prepared in the Department of Agriculture. Here is a chart which shows how small are our agricultural imports compared with the share of our consumption of farm products supplied from domestic production.

[*Exhibit: Chart—"The American Farmer Has His Home Market"*]

The same is shown even more emphatically if we look at the facts bearing on important individual products—beef, dairy products, corn, lard.

[*Exhibits: Charts—"The American Beef Producer Has His Home Market"; "The American Dairyman Has His Home Market"; "The American Corn Producer Has His Home Mar-*

ket"; "The American Pork Producer Has His Home Market"]

I would like to ask that these charts, in the form in which they have been published by the Department of Agriculture, together with the statistical and textual material published with them, be included as part of the record of these hearings.

A great deal of the argument that the farmer has been injured by the trade-agreements program rests upon statistics which appear to indicate heavy increases in imports of competitive products. I would therefore like to call to your attention one example of a statistical presentation of this nature and of the more significant statistics it ignores. I call your attention to this table, showing what appears to be an enormous increase in imports of lard since the Trade Agreements Act was passed.

[*Exhibit: "Lard, Domestic Production, Imports, Exports"*]

When these statistics are used to illustrate the injury the program has done to the American farmer, it is of course not mentioned that there has been no change, by any trade agreement, in our import duty on lard.

I now call your attention to the domestic production of lard in the same years. Obviously, the imports, even at their height, were infinitesimal compared to our home production, and equally obviously, the imports increased when domestic production was unusually low. Some of us remember that there were 2 years of drought during this period.

Now look at the exports. Even in the years of lowest production and lowest exports, our sales of lard abroad vastly exceeded the small trickle of imports which, taken by themselves, are used to give such a false impression of the real facts.

Few instances are as clear-cut as this, but this example brings out clearly the nature of the card-stacking statistical devices to which resort is had to support the false contention that the American farmer has been injured by the trade-agreements program.

I will not go further here into the many other points which have been brought up to refute

this claim of injury, including the improved position of the farmer now as compared with the years following the tariff legislation of 1930 but preceding the Trade Agreements Act; the fact that if we excluded every little trickle of farm imports, we would at the most gain only one additional acre of domestic production for every three or four acres we would risk losing because their profitable cultivation is dependent on foreign markets; the fact that such reductions as have been made in our agricultural tariffs by trade agreements have been moderate, and, where necessary, carefully safeguarded; the disappearance, on fair analysis, of real factual support for charges that this or that reduction has injured the domestic agricultural producer.

I do wish to call attention to one very important aspect which has been pointed out repeatedly by Secretary Hull, Secretary Wallace, and many others. The idea that agriculture can be made prosperous, or even helped, by embargo tariffs is a snare and a delusion. That method was given the acid test in 1930 in the Hawley-Smoot Act and found woefully wanting. Agriculture in this country was then, and still is, geared to produce a large surplus of farm products over and above what can be sold in the domestic market. Agriculture was then, and still is, dependent upon foreign markets. If we were to shut out every dollar's worth of imports of agricultural products that could be produced in this country outside of a hot house, agriculture would still be dependent upon foreign markets.

Any open-minded study of our trade in agricultural products brings out quite clearly the relative unimportance to the American farmer of the imports of agricultural products, much of which consist of noncompetitive products such as coffee and rubber which he himself consumes; and the much greater importance of an active domestic market and of a healthy export trade to dispose of his surpluses.

In both of these directions—in the domestic and in the export markets—the trade-agreements program has been helping the American farmer: in the foreign markets, directly

through the concessions obtained from foreign countries for our agricultural exports; in the domestic market, indirectly through the increased industrial payrolls and consequent purchasing power for farm products, which results from the improved access to foreign markets for American industrial products which has been obtained through trade-agreement negotiations.

The concessions obtained in trade agreements cover nearly three-quarters of our agricultural exports to the countries with which trade agreements have been negotiated, and nearly one-half of our industrial exports to the same countries. The facts simply do not support the contention that the American farmer has not been fairly and favorably treated.

AMERICAN LABOR AND THE TRADE-AGREEMENTS PROGRAM

Lastly, I would like to remark briefly upon some aspects of especial interest to American labor.

There was a time when American labor organizations generally supported the demands of industry for increased tariff protection. In 1917, for example, widespread fears of a vast inflow of goods from countries with depreciated currencies led the American Federation of Labor to pass a resolution favoring increased tariff protection.

But by 1932, as a result of bitter experience with foreign retaliation, the adverse effects of super-tariffs upon the employment and living standards of American workers were recognized by organized labor. In a statesmanlike resolution adopted in that year, the American Federation of Labor resolved that henceforth the attitude of the Federation toward given levels and adjustments of import duties should be determined by the question of the extent to which tariff "benefits" actually benefited workers.

I believe that most of the leaders of organized labor now recognize the necessity of giving consideration to the interests of workers dependent upon our export trade and fully

appreciate the disastrous character of the tariff orgies that culminated in the Tariff Act of 1930. They realize, I think, that many rates were considerably in excess of the legitimate needs of the industries in question, and that where such rates are found to exist today, there is scope for downward adjustment with beneficial effect upon American interests.

Wherever concessions have been granted involving downward adjustments of tariff rates, extreme care and caution have been exercised; the full regard shown for the protection of American wage levels and working conditions has been reflected in the subsequent improvement of trade in the majority of the affected industries.

I may repeat what has often been stated, that there is no intention whatever to administer this program in a manner to jeopardize employment, working conditions, and the living standards of American workers; on the contrary, it is their improvement that is sought and is being obtained.

It is certain that the number one problem of the United States today is to expand productive employment for the American people. It is well known that the increased output per worker in many branches of industry, trade, and agriculture has increased the national output of goods and services without a corresponding increase in employment and consumer income. The Federal Reserve Board index of physical production for November 1939 was at 124 percent of the 1923-25 average, as compared with 110 for the same month in 1929. This increase of output was accomplished by a labor force of about the same number as in 1929, working over an hour a day less than in 1929. For those who were among the employed, weekly wages for November 1939 averaged about as much for a 39-hour week as they did for a 48-hour week in 1929, thanks to an increase in the hourly wage. This is the usual record of progress in most of the decades since the Civil War. But what distinguishes the situation since the World War from that of preceding periods has been the fact that this expansion of production has taken place

without an accompanying expansion of employment sufficient to absorb the increase in our working population resulting from the general increase in population.

In the solution of this problem, the trade-agreements program is providing an essential contribution by promoting the healthy expansion of foreign markets and consequently of domestic employment. It is restoring jobs in those excess capacity industries where inactivity has brought distress. As I said before, the fact that about one-half of our exports consisted, in 1938 as in 1929, of finished manufactures representing a cross-section of American industry, indicates the ability of a great many of our industries to compete successfully in foreign markets despite the higher wages and shorter hours which characterize American industry as a whole.

For those who work in American agriculture and American industry alike, the important thing to consider is not the comparatively small proportion of our total consumption of farm and factory products which is supplied by imports, but rather the total consuming power in our markets, at home and abroad, for our production as a whole. I would like in closing to bring to your attention these two charts, the one comparing imports of agricultural products with cash farm income and the other comparing imports with industrial employment and production.

[*Exhibits: Charts—"United States Imports of Agricultural Products and Cash Farm Income, 1928-1939"; "Comparison of Production and Employment with Imports, 1928-1938"*] In each case these charts show the fallacy of assuming that an increase in imports means injury to the American farmer or workingman. It is remarkable to note how closely imports rise and fall concurrently with rising and falling farm income or factory production and employment.

The really important objective, the aim we are all agreed upon, is the improvement in the items of major consideration, farm income, factory employment, and production. The ul-

timative objective of the trade-agreements program is to make an ever-increasing contribution to this aim, and it is this objective and its con-

tinuing accomplishment which provide the essential warrant for continuing the authority to negotiate trade agreements.

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RECIPROCAL TRADE AGREEMENTS

Address by Assistant Secretary Grady ⁷

[Released to the press January 20]

One of the principal subjects before Congress at the present time is the question of continuing the President's authority to negotiate trade agreements with foreign countries, which is the legal basis for the trade-agreements program. This authority was first granted by the Trade Agreements Act of June 12, 1934. It was renewed in 1937, but the authority to negotiate new trade agreements will expire on June 12, 1940, unless Congress in the meantime takes action to continue it.

In his message to Congress at the opening of the present session the President recommended that this authority be continued. A joint resolution to continue the legislation for 3 more years has been introduced into the House of Representatives, and, since January 11, the Ways and Means Committee has been conducting public hearings on the subject.

Over the 5½ years during which this trade-agreements program has been in operation there has been much comment and discussion regarding it, both favorable and unfavorable, from all sections of the country and from various branches of industry and agriculture. Since it is now a subject of outstanding national interest, I am happy to have this opportunity to bring to your attention the various important considerations which must be taken into account in order to form a fair and equitable judgment of its significance.

The purpose of this program is to restore and expand our foreign trade for the benefit of American agriculture, industry, mining,

and commerce as a means of improving our national economic welfare through the resulting increase in economic activity throughout the country.

To accomplish this purpose the Trade Agreements Act authorizes the President to enter into trade agreements with foreign governments by which, in return for concessions benefiting our export trade to the other country, modifications are made in our import duties and other restrictions. The act prescribes limits and conditions within which these reductions may be made and authorizes the President to bring such trade agreements into effect by proclamation.

The progress which has been made in negotiating such trade agreements is indicated in a general way by the fact that the 20 countries with which trade agreements have been concluded account for about 60 percent of our foreign trade. In 1939 our total foreign trade amounted to about 5.4 billions of dollars, of which about 2.3 billions were imports and about 3.1 billions exports.

The products which make up our foreign trade range from primary raw materials to fully manufactured articles. In 1938, fully manufactured articles accounted for one-half of our exports. This demonstrates that many of our industries, despite high wage levels and shorter working hours, are nevertheless able to compete successfully in world markets, without the benefit of a protective tariff, against the lower wage levels and longer working hours of other countries.

Since 1934 there has been a substantial improvement in our trade. Our total foreign

⁷ Delivered at the banquet of the Philadelphia Real Estate Board, Philadelphia, Pa., January 20, 1940.

trade, exports and imports combined, which had fallen from nearly 10 billions of dollars in 1929 to around 3 billions of dollars in 1932, has risen, as I have said, to an average of more than $5\frac{1}{2}$ billions in the last 3 years. This entire increase cannot be attributed to the trade-agreements program, for there are many factors which determine the size of our foreign trade. For instance, our general industrial activity had a great deal to do with the variation in our total foreign trade over the last 3 years from 6.4 billions of dollars in 1937 to 4.2 billions in 1938 and 5.4 billions in 1939. However, there is a very clear indication that the trade agreements have definitely contributed to the increase in our trade since 1934. For, if we compare the rate of increase of our trade for a period before any number of agreements were in effect, such as the years 1934-35 and a period such as 1938-39, after a considerable number of agreements had been in operation, we find that our trade with the trade-agreement countries increased much faster than with the others. Actually, our exports to trade-agreement countries increased by 50 percent between those two periods as compared with a 28.3-percent increase in exports to other countries; and our imports from trade-agreement countries increased by 17.8 percent as compared with an 11.3-percent increase from other countries.

These increases in trade mean more business and more active business, and I think that you who are mainly interested in real estate activity can particularly well appreciate how the prosperity of any one business is tied up with the state of business in general.

So you can appreciate the importance to all of us of the sound restoration of our foreign trade; for not only is that trade an important section of our general business activity, but its effects ramify into practically every aspect of our business life. Therefore, the restoration and expansion of our foreign trade and the efforts to bring this about through the negotiation of trade agreements in accordance with a sound policy of international economic relations is of importance to all of us.

Some of you will perhaps be inclined to say, "That is all very well in a world that is at peace, but with the state of warfare which afflicts so much of the world today, what use is there of discussing and trying to carry out a program which is based upon the fundamental conception of peaceful international trade?"

This is a very important point. Certainly the outbreak of hostilities in Europe has weighty consequences for our trade. It stimulates some lines and affects others adversely. Likewise it affects strongly the operation of the trade agreements which have been concluded and complicates or prevents the negotiation of others. But this is not an argument for discontinuing the program. On the contrary, we must, through the negotiation of new trade agreements wherever it remains possible, continue to encourage the maintenance of as much of our normal trade as is possible in these times so as to reduce as much as we can the adjustments which will be necessary when the present abnormal conditions come to an end. Secondly, we must keep in readiness this instrument of trade negotiations for mutual benefit against the day when the present unhappy state of affairs shall have been ended.

I would like to dispose of one more point in this connection. There are some who say that because the governments of countries which are now at war, and with which we have concluded trade agreements, have felt themselves compelled to take emergency measures affecting their trade which run counter to the purposes and specific provisions of our trade agreements with them, and have thereby interfered with the normal peacetime trade which we have sought to promote by these agreements, the agreements have become one-sided and we are left "holding the bag" and should therefore find some way of terminating the agreements.

I want to make it clear first of all that the agreements in question contain provisions allowing latitude to take special measures in time of war, just as they contain exceptions permitting us to take measures necessary to maintain our neutrality. The question, however, is not whether these agreements are

violated but whether we have lost the benefits of them to such an extent that we would be better off without them. I think there is no question that we would be worse off without them. Under wartime necessity the other governments in question have felt compelled to concentrate on purchases from us of certain lines of products and to curtail purchases of others which we are particularly anxious to sell abroad, such as apples and tobacco. But if the tariff reductions which we granted these other countries were not in effect and they found it more difficult to sell their products to us, they would have still less money with which to buy from us, and we can be sure that the result would be a further curtailment of the purchases of those products which they regard as not essential at the present time.

The concessions which we granted on our imports from these countries were made only after very careful study of the position and needs of our domestic industries, and on the whole the outbreak of hostilities in Europe has not made the position of our producers worse as compared with the producers in the countries now in war, so that it cannot be said that our own industries now need higher protection against them.

The trade-agreements program has a number of important features which have been carefully formulated to fit most appropriately into our own circumstances and institutions and to be most effective in achieving the general purpose. As I have said, it provides for the negotiation of tariff reductions within prescribed limits and conditions in return for reciprocal concessions; it provides for the placing of these agreements into effect by Presidential proclamation; it provides for the application of the reduced duties to imports from all countries except those found to be discriminating against us; it provides for public announcements of negotiations and an opportunity for the public to be heard before the agreements are made, and for the cooperative work of the various Government departments concerned with foreign trade. These various features are designed to achieve a sound

economic purpose through an essentially democratic procedure. Various of these features have, however, been subjected from time to time to criticism, mostly from lack of information or understanding of the essentials. I would like therefore to cover some of these points briefly.

In the first place, it is argued by some that the Trade Agreements Act is unconstitutional. Without going into the complicated and technical legal details of this question, I may say that when the Trade Agreements Act was drafted, when it was first acted upon by the Congress in 1934, and when it was renewed in 1937, considerable study was given to this question of constitutionality, and the definite conclusion was reached that there were ample precedents for such delegation of authority as is incorporated in the Trade Agreements Act.

There are many sincere people who are in sympathy with the general objectives of the trade-agreements program, but who believe that trade agreements should be subject to ratification by the Senate. The difficulty with this proposal is evidenced in our experience with reciprocity negotiations requiring such ratification. This experience has shown beyond a shadow of a doubt that a reciprocity agreement which has to be approved by two-thirds of the Senate before it can come into effect might just as well not be negotiated in the first place.

Over the last century of our history, only 3 reciprocal treaties have actually come into effect with congressional approval, while about 22 others which were negotiated never came into effect because they never received approval. The three treaties which were approved were those with Canada, Hawaii, and Cuba, countries bound to the United States by special geographic or political ties. Even if there were a more reasonable chance of such agreements becoming effective, there would still be the great disadvantage of the delay necessarily involved in this procedure. It must be quite obvious that long delay before an agreement can come into operation after it is negotiated means that it loses much of its usefulness; and as a matter of fact, foreign countries would not

be very anxious to enter into negotiations with us under such conditions.

It is also sometimes argued that the delegation to the President of authority to enter into trade agreements is not in accordance with the democratic principles on which this Government is based, that the sole power for making tariff adjustments should remain with the Congress. In answer to this point, let me say, that Congress retains the essential tariff-making power by defining the limitations which are placed on the President's authority by the provisions of the act itself and simply delegates power to make adjustments in accordance with the policy it lays down for limited periods, and that the procedure followed in the administration of the act provides ample opportunity for *all* interested persons to be heard in connection with any proposed negotiations.

This last point is important. Under the old methods of tariff making, those groups who could afford high-priced tariff lobbyists to represent them in Washington, familiar with the logrolling processes of tariff making, had the best opportunity to have their special interests considered.

Under the trade-agreements procedure, public hearings open to all interested persons are held in connection with each proposed agreement. The information which these persons submit, orally or in writing, is closely analyzed and studied, together with the vast information available from official sources, by the experts of the trade-agreements organization who specialize in the various branches of commerce, agriculture, and industry.

This interdepartmental trade-agreements organization draws upon the full resources of the Tariff Commission, as well as of the Departments of State, Commerce, Agriculture, and the Treasury. Through a well-organized system of interdepartmental committees, the members of this organization cooperate closely in the operation of the trade-agreements program. They study the many products involved in our trade with foreign countries, as well as the particular problems affecting our trade with each country, and formulate care-

fully worked out recommendations which, after being approved by the highest officials of the administration, form the basis of negotiations with the other government.

All in all, this is an effective and scientific procedure of tariff adjustment developed in full accord with our essential democratic institutions.

A number of people who favor tariff adjustment by executive action under strictly defined authority delegated by Congress, claim that such adjustments should proceed solely on the basis of the differences in the cost of production in this country and abroad. The fallacy of this method of determining tariffs has been shown by such able tariff experts as Robert Lincoln O'Brien, formerly Chairman of the Tariff Commission, and the late Thomas Walker Page, formerly Vice Chairman of the Commission. Quite apart, however, from the economic principle involved, this formula is not one suitable for practical operation. Cost data adequate for this purpose can rarely be obtained; experience has shown that the attempt to obtain cost data from foreign producers is apt to arouse great resentment abroad against the United States. Even in cases where full data are obtainable, a wide variation of costs among different producers is likely to exist. Moreover, even in such cases the process of calculation involves so many variables that the cost rule as an exact criterion becomes purely fictitious. On the basis of the same data different persons are likely to get different results in harmony with their respective tariff philosophies.

Costs of production are, of course, of importance in determining tariff adjustments, and costs of production are taken into fully adequate account by the interdepartmental trade-agreements organization in formulating its proposals for tariff adjustment. But to use the comparative costs formula as the sole basis for effecting tariff adjustments would not be satisfactory, and, furthermore, it would be sadly deficient as compared with our trade-agreements procedure, which also provides means for obtaining reductions in the trade

restrictions imposed by other countries against our goods.

The most-favored-nation policy by which the tariff concessions which we grant in a trade agreement with one country are applied to the similar goods of all other countries is frequently misunderstood. The value of this policy has been challenged on the ground that it is not good business or sound trading.

In the broad sense this policy means non-discriminatory treatment. It contrasts with policies of retaliation and economic strife. It is the basis for friendly and sane commercial relations between nations leading to friendly cooperation and a mutually beneficial expansion of trade.

When we receive assurances of most-favored-nation treatment from a foreign government, it means that, in addition to the specific tariff concessions which we obtain in the trade agreement, we also get the benefit of any duty reductions or other concessions that country may grant or may have granted to a third country. This applies not only to the products included in our trade agreement but to all the products entering into our trade with the country concerned. Without the benefit of the most-favored-nation clause, we might easily lose what we get through trade-agreement negotiations, since the other countries could grant lower rates to competing countries whose products would then seize the market from us.

If we did not extend the benefit of our trade-agreement concessions to third countries, we would be discriminating against them and they would therefore be stimulated to discriminate against us; we could not expect them to grant to our goods the same treatment they grant to the goods of other countries. The assurance that our trade will receive non-discriminatory treatment in foreign markets is more than adequate compensation for extending trade-agreement benefits to other countries.

Nor do we lose valuable bargaining power by following this policy. In the negotiation of a trade agreement with one country we give consideration to granting concessions only on those products of which that country is the

principal or an important supplier in the United States market. In the trade agreement with France, for instance, we gave a concession on canned mushrooms. From 85 percent to 90 percent of our imports of canned mushrooms come from France. Consequently the extension of this concession to other countries did not have as great a value for those countries as it did for France. By following the yardstick of "principal or important supplier," concessions on certain products are reserved for the countries most interested in them.

In some quarters there is considerable argument from time to time, to the effect that American agriculture has been harmed by trade agreements. Self-styled "friends of the farmer" have cited increases in agricultural imports and have demanded that the American market be preserved for the American farmer. An unbiased examination of the actual facts shows conclusively that our agricultural interests have been helped rather than hurt by trade agreements.

First of all, the American farmer is not being deprived of his home market by imports of foreign agricultural products. An analysis prepared by the Department of Agriculture indicates that agricultural imports form a very small part of our domestic consumption of farm products, whereas the greatest part of the American market is supplied by domestic production. A great part of those of our imports classed as agricultural consist of noncompetitive products, such as coffee, tea, rubber, et cetera, which we do not produce.

Where reductions have been made in trade agreements in the duties on agricultural commodities, these reductions have been extremely moderate and in appropriate cases have been further safeguarded by limitations in the quantities to which the reduced rates apply.

The real interest of American agriculture does not lie in shutting out an insignificant trickle of imports. The prosperity of the American farmer depends in large measure on his ability to find markets for his exportable surpluses. In this field trade agreements directly contribute to the farmers' business.

The concessions obtained from foreign countries in trade agreements cover nearly three-fourths of our agricultural exports to the countries with which trade agreements have been negotiated.

In addition, the farmer benefits indirectly through the increased purchasing power for farm products which results from larger industrial pay rolls in manufacturing industries benefiting from increased exports under trade agreements.

Labor, too, has an important stake in foreign trade and the trade-agreements program. Opponents of trade agreements contend that imports of foreign products have jeopardized the American standard of living and threatened the welfare of the American worker. These fears are not well founded. Great care has been taken in the granting of concessions and due regard has been given to American working conditions and wage levels. Far from seeking to destroy the jobs of American labor, the trade-agreements program is working to create jobs through expanded foreign markets. A healthy expansion of foreign markets brings with it a healthy expansion of employment.

I will conclude with a few words concerning the relation of your State and your city to this program for increased foreign trade. Total exports originating in Pennsylvania fell from 341 million dollars in 1929 to 100 million dollars in 1932. This decline in exports was accompanied by decline in purchasing power and prices and was one factor in the general business decline.

Among the important export products of Pennsylvania which benefit from the concessions obtained in trade agreements are iron and steel products, electrical and industrial machinery, and petroleum products. Concessions designed to expand the foreign markets for iron and steel were obtained in 17 agreements, for electrical machinery in 16 agreements, for industrial machinery in 14 agreements, and for petroleum products in 12 agreements.

It is estimated that of all the people employed in Pennsylvania, about 200,000 owe their jobs to the State's export trade. Prac-

tically every industry in Pennsylvania uses a variety of imported products, and it is estimated that approximately 80,000 persons in the State have jobs in factories working imported raw materials into finished products for domestic consumption and for re-export. Probably 10,000 more factory jobs are dependent upon the secondary processing of some of the imported materials or upon the use of other raw materials and semimanufactures. Reductions in duty have been made through trade agreements on a number of the important products necessary to the industries of Pennsylvania.

Philadelphia is one of the foremost ports of the United States in respect to the volume of its commerce, its harbor facilities, and the area of the territory served by it. Increased foreign trade means increased freight tonnage in this port, as well as greater activity and employment in railway and trucking transportation, foreign-trade brokerage, warehousing, stevedoring, advertising, real estate, insurance, and banking.

The prosperity of every section of the country naturally depends on the prosperity of the country as a whole. Increased foreign trade, both imports and exports, means increased factory production and employment, increased farm income, and increased consumer purchasing power. This is the aim of the trade-agreements program. The agreements have, I believe, made considerable progress in achieving this aim. I hope they may continue to do so.

General

DEATH OF SENATOR BORAH

Following is a statement by the President:

"The Senate and the Nation are sadly bereft by the passing of Senator Borah. We shall miss him and mourn him and long remember the superb courage which was his. He dared

often to stand alone and even at times to subordinate party interests when he presumably saw a divergence of party interests and the national interest. Fair-minded, firm in principle, and shrewd in judgment, he sometimes gave and often received hard blows, but he had great personal charm and a courteous manner which had its source in a kind heart. He had thought deeply and studied with patience all of the great social, political, and economic questions which had so vitally concerned his countrymen during the long period of his public service. His utterances commanded the close attention of the Senate and of a far-flung

audience, whenever he spoke. A unique figure, his passing leaves a void in American public life."

[Released to the press January 19]

Secretary Hull made the following statement on January 19:

"I was deeply distressed to learn of the passing of Senator Borah. His long record of truly great service to the people of the Nation will live in history. In his death the country loses a fearless statesman ever faithful to his principles."

International Conferences, Commissions, etc.

INTERNATIONAL JOINT COMMISSION, UNITED STATES AND CANADA

Questions With Respect to Waters of Souris (Mouse) River

[Released to the press January 15]

The Governments of the United States and Canada have agreed to refer three questions relating to the waters of the Souris (Mouse) River to the International Joint Commission created by the provisions of article 7 of the Boundary Waters Treaty, 1909,^{*} for investigation, report, and recommendation. This river crosses the international boundary from the Province of Saskatchewan to the State of North Dakota and then flows into the Province of Manitoba from North Dakota. As technical problems are involved, a group of six engineers, three representing the United States and three representing Canada, have been designated to assist the Commission in obtaining the information desired in the course of the investigation.

These questions were referred to the International Joint Commission by identic letters addressed to the Commission by the Honorable Cordell Hull, Secretary of State, for the

United States and by the Right Honorable Mackenzie King, Secretary of State for External Affairs, for Canada. Mr. Hull's letter was as follows:

"It gives me pleasure to inform you that the Governments of the United States and Canada have agreed to refer to the International Joint Commission, under the provisions of Article 9 of the Boundary Waters Treaty, 1909, for investigation, report, and recommendation, the following questions with respect to the waters of the Souris (Mouse) River and its tributaries which cross the International Boundary from the Province of Saskatchewan to the State of North Dakota and from the State of North Dakota to the Province of Manitoba:

"*Question 1.* In order to secure the interests of the inhabitants of the United States and Canada in the Souris (Mouse) River drainage basin, what apportionment should be made of the waters of the Souris (Mouse) River and its tributaries, the waters of which cross the international boundary, to the Province of

^{*}Treaty Series No. 548 (36 Stat. 2448).

Saskatchewan, the State of North Dakota, and the Province of Manitoba?

"Question 2. What methods of control and operation would be feasible and desirable in order to regulate the use and flow of the waters of the Souris (Mouse) River and of the tributaries, the waters of which cross the international boundary, in accordance with the apportionment recommended in the answer to Question 1?

"Question 3. Pending a final answer to questions 1 and 2, what interim measures or regime should be adopted to secure the foregoing objects?

"To assist the Commission in obtaining any information it may desire in the course of the investigation, the two Governments have nominated from their technical services the following group of engineers, who are familiar with the problems on both sides of the border, and representative of the various interests:

"Mr. E. J. Thomas, *Chairman of the Group*, Engineer representing United States, State Engineer of North Dakota, State House, Bismarck, North Dakota.

"Mr. S. H. McCrory, Assistant Chief, Bureau of Agricultural Chemistry and Engineering, United States Department of Agriculture, Washington, D. C.

"Mr. Brice McBride, Hydraulic Engineer, Bureau of Biological Survey, United States Department of the Interior, Washington, D. C.

"Mr. Victor Meek, *Chairman of the Group*, Engineer representing Canada, Assistant Controller, Dominion Water and Power Bureau, Department of Mines and Resources, Ottawa, Ontario.

"Mr. D. M. Stephens, Deputy Minister, Department of Mines and Natural Resources, Winnipeg, Manitoba.

"Mr. C. J. McGavin, Chief Engineer, Water Rights Branch, Department of Natural Resources, Regina, Saskatchewan.

"In view of the conditions obtaining in the Souris River watershed, I request that early consideration be given to question 3, with a view to the consideration of the possibility of recommending interim measures to relieve the present situation."

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EIGHTH AMERICAN SCIENTIFIC CONGRESS

[Released to the press January 17]

A meeting of the chairmen of the 11 sections of the Eighth American Scientific Congress was held in the Department of State January 16 for the purpose of reviewing the progress made in the preparatory work and to complete the coordination of the activities of the several sections. This Congress, which will be held in Washington May 10-18, 1940, under official auspices, will constitute this Government's most outstanding contribution to the celebration of the fiftieth anniversary of the founding of the Pan American Union. Special headquarters have been established in the Division of International Conferences of the Department of State.

The Honorable Sumner Welles, Under Secretary of State and chairman of the Organizing Committee, being absent from the city, Dr. Warren Kelchner, Chief, Division of Interna-

tional Conferences, Department of State, and vice chairman of the Organizing Committee, acted as chairman of the meeting assisted by Dr. Alexander Wetmore, Assistant Secretary, Smithsonian Institution, who is the secretary general of the Congress. In addition to Dr. L. S. Rowe, Director General, and Dr. William Manger, Counselor, Pan American Union, the following Congress officials participated:

I. Anthropological Sciences—*Chairman*, Dr. Herbert J. Spinden, Curator, Division of American Indian Art and Primitive Cultures, the Brooklyn Museum; II. Biological Sciences—*Secretary*, Mr. James A. G. Rehn, Secretary of the Academy of Natural Sciences; III. Geological Sciences—*Chairman*, Dr. T. Wayland Vaughan, President of the Geological Society of America, 1939; *Secretary*, Dr. Wendell Phillips Woodring, Senior Geologist,

Department of the Interior; IV. Agriculture and Conservation—*Secretary*, Mr. Ernest G. Holt, Chief, Biology Division, Department of Agriculture; V. Public Health and Medicine—*Secretary*, Dr. A. M. Stimson, Medical Director, United States Public Health Service; Dr. Aristides A. Moll, Pan American Sanitary Bureau; VI. Physical and Chemical Sciences—*Chairman*, Dr. Lyman J. Briggs, Director, National Bureau of Standards; *Secretary*—Mr. Eugene C. Crittenden, Assistant Director, National Bureau of Standards; VII. Statistics—*Chairman*, Dr. Stuart A. Rice, Chairman of the Central Statistical Board; *Secretary*, Dr. Halbert L. Dunn, Bureau of the Census, Department of Commerce; VIII. History and Geography—*Chairman*, Dr. Clarence H. Haring, Professor of Latin American History and Economics, Harvard University; *Secretary*, Dr. Robert C. Smith, Library of Congress; IX. International Law, Public Law, and Jurisprudence—*Chairman*, Dr. James Brown Scott, Trustee and Secretary, Carnegie Endowment for International Peace; *Secretary*, Mr. George A. Finch, Carnegie Endowment for International Peace; X. Economics and Sociology—*Chairman*, Dr. Harold G. Moulton, President of the Brookings Institution; *Secretary*, Mr. Benjamin Colby, the Brookings Institution; XI. Education—Dr. Waldo Leland, Secretary, American Council of Learned Societies.

Invitations on behalf of the President have been extended to the governments of all the American republics to participate. As an evidence of the importance with which this forthcoming meeting is viewed by our Government, the President has graciously offered to open the Congress officially.

Reports on the recent activities in connection with the Congress indicated that enthusiastic responses have been received from this country as well as from most of the other American republics. Cooperating committees have already been set up by a number of the other governments, and in many instances scientists have already signified their intention to participate.

Particular attention has been devoted to integrating the programs of the various sections, and in several cases joint meetings have been arranged. The Congress will be divided into the above-indicated 11 sections which will really constitute 11 separate inter-American conferences held simultaneously.

A number of other organizations will also be meeting during the sessions of the Scientific Congress, including several inter-American groups, and it was revealed that in connection with the Section on International Law, the American Society of International Law, the Committee on International and Comparative Law of the American Bar Association, the American Institute of International Law, and the American Law Institute will all be meeting at the same time. Arrangements are being made whereby the programs of these meetings will be correlated with the meetings of the Congress. In the field of public health and medicine, the Directors of Public Health of the American republics will be meeting immediately prior to the opening of the Congress.

The encouraging reports of the various committee chairmen and the favorable accounts from all quarters concerning the forthcoming Congress were indications that the Eighth American Scientific Congress will be one of the most outstanding inter-American conferences ever held.

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GOLDEN GATE INTERNATIONAL EXPOSITION

The President issued a proclamation (No. 2381) on January 11, 1940, inviting "the nations which have participated in the said Golden Gate International Exposition during the year 1939 to continue their participation therein during the calendar year 1940, or such part thereof as may seem appropriate."

The text of the proclamation is printed in the *Federal Register* for January 16, 1940 (Vol. 5, No. 10), page 193.

Departmental Service

APPOINTMENT OF WARREN KELCHNER AS CHIEF OF THE DIVISION OF INTERNATIONAL CONFERENCES

[Released to the press January 15]

The Secretary of State announced on January 15 the appointment of Mr. Warren Kelchner as Chief of the Division of International Conferences of the Department of State, effective January 11, 1940. Mr. Kelchner has been Acting Chief of the Division since February 24, 1939.

The following is Mr. Kelchner's biography:

Born in Orangeville, Pa., November 6, 1895; Valparaiso University, LL. B. 1917; University of Pennsylvania, A. B. 1923; University of Grenoble, summer 1925; Institut Universitaire des Hautes Études Internationales 1925-26; Harvard, M. A. 1928; University of Pennsylvania, Ph. D. 1928; member of bar of Indiana; teacher 1913-15, 1918-20; instructor in political science, University of Pennsylvania, 1923-25; Penfield traveling scholar in international law and diplomacy 1925-27; research on American republics under Bureau of International Research, Harvard, 1928-30; appointed after examination, Foreign Service officer unclassified and vice consul of career January 29, 1929; assigned to the Foreign Service School February 2, 1929; assistant secretary, Commission for Study and Review of Conditions in Haiti, 1930; assigned to Port-au-Prince July 22, 1930; secretary in the Diplomatic Service January 22, 1931; assigned also as third secretary at Port-au-Prince February 20, 1931; resigned November 8, 1931; appointed divisional assistant at \$4,600 in the Department of State November 9, 1931; secretary to American delegation, Seventh International Conference of American States, Montevideo, 1933; adviser, Pan American Commercial Conference, Buenos Aires, 1935; at \$5,600 February 16, 1936; technical adviser, Inter-American Conference for Maintenance

of Peace, Buenos Aires, 1936; technical expert, Inter-American Technical Aviation Conference, Lima, 1937; secretary general to American delegation, Eighth International Conference of American States, Lima, 1938; assistant chief and acting chief, Division of International Conferences, at \$6,500 February 24, 1939; at \$7,000 February 25, 1939; adviser and secretary general to American delegation, Meeting of Foreign Ministers of American Republics for Consultation, Panamá, 1939.

Foreign Service

PERSONNEL CHANGES

[Released to the press January 20]

Changes in the Foreign Service of the United States since January 13, 1940:

Edward B. Lawson, of Washington, D. C., Foreign Service officer, assigned to the Department of State and detailed to the Department of Commerce, has been designated commercial attaché at Managua, Nicaragua.

Dale W. Maher, of Joplin, Mo., second secretary of legation and consul at Budapest, Hungary, has been assigned as consul at Cologne, Germany.

Clare H. Timberlake, of Jackson, Mich., vice consul at Vigo, Spain, has been assigned as vice consul at Aden, Arabia.

Archibald R. Randolph, of Virginia, Foreign Service officer, designated assistant trade commission at Bogotá, Colombia, has been

designated third secretary of embassy and vice consul at Bogotá, Colombia. Mr. Randolph will serve in dual capacity.

George E. Miller, of New Jersey, Foreign Service officer, designated assistant trade commissioner at London, England, has been assigned as vice consul at Paris, France.

Robert T. Cowan, of Dallas, Tex., vice consul at Aden, Arabia, has been assigned as vice consul at Zürich, Switzerland.

Richard D. Gatewood, of New York, N. Y., third secretary of embassy and vice consul at Rio de Janeiro, Brazil, has been assigned as vice consul at Prague, Bohemia.

Treaty Information

Compiled by the Treaty Division

ARBITRATION AND JUDICIAL SETTLEMENT

General Act for the Pacific Settlement of International Disputes

Canada

There is printed below the text of a letter from the Canadian Government addressed to the Secretary General of the League of Nations, and received by him on December 8, 1939, regarding the accession of Canada to the General Act for the Pacific Settlement of International Disputes, signed at Geneva, on September 26, 1928:

"7th DECEMBER 1939.

"SIR:

"The Canadian Government has found it necessary to consider the position, resulting from the existence of a state of war with the German Reich, of the Canadian acceptance of the General Act for the Pacific Settlement of International Disputes. The acceptance of the General Act was for a five-year period ending on 16th August of this year. In view of the fact that no action was taken by the Canadian Government it is understood that the obligation would extend for another five-year period dating from that date.

In view of the circumstances referred to in the letter of this date dealing with Canadian adherence to the Optional Clause* and of the

fact that the consideration therein set forth applies with equal force in the case of the General Act, I am, therefore, directed to notify you that the Canadian Government will not regard their acceptance of the General Act as covering disputes arising out of events occurring during the present war.

It is requested that this notification may be communicated to the Governments of all the States that have accepted the General Act."

Netherlands

There is printed below the text of a letter from the Netherlands Government addressed to the Secretary General of the League of Nations, and received by him on December 4, 1939, in regard to the declaration made by Australia, when adhering to the General Act for the Pacific Settlement of International Disputes, signed at Geneva on September 26, 1928:

"(Translation)

"The Ministry of Foreign Affairs has the honour to acknowledge the receipt of the Secretary-General's circular letter of September 13th 1939 (C. L. 144. 1939) concerning a communication from His Majesty's Government in the Commonwealth of Australia relating to the General Act.

"The Royal Government, in taking note of this communication, is obliged to make the same reservation in regard to this notification as that made by the Netherlands Government

* *Post*, p. 87.

in regard to the denunciation by various States of the Optional Clause of Article 36 of the Statute of the Permanent Court of International Justice."

Permanent Court of International Justice

Canada

There is printed below the text of a letter addressed to the Secretary General of the League of Nations by the Canadian Government relating to the acceptance by Canada of the Optional Clause of the Statute of the Permanent Court of International Justice:

"7th DECEMBER, 1939.

"SIR:

"The Canadian Government has found it necessary to consider the position, resulting from the existence of a state of war with Germany, of the Canadian acceptance of the Optional Clause of the Statute of the Permanent Court of International Justice. The acceptance of this clause was for ten years from the date of ratification, which took place on July 28th, 1930.

"The general acceptance of the Optional Clause providing for the compulsory adjudication of certain issues was part of the system of collective action for the preservation of peace established under the Covenant of the League. It is clear that the conditions assumed when the Optional Clause was accepted do not now exist, and that it would not be possible that the only part of the procedure to remain in force should be the provisions restricting the operations of the countries resisting aggression.

"I am therefore directed to notify you that the Canadian Government will not regard their acceptance of the Optional Clause as covering disputes arising out of events occurring during the present war.

"It is requested that this notification may be communicated to the Governments of all the States that have accepted the Optional Clause

and to the Registrar of the Permanent Court of International Justice."

There are printed below the texts of letters received by the Secretary General of the League of Nations from the Belgian and Netherlands Governments regarding the declarations made by the Governments of Australia, France, Great Britain, New Zealand, and the Union of South Africa concerning the acceptances by these Governments of the Optional Clause of the Statute of the Permanent Court of International Justice.¹⁰

Belgium

"(Translation)

"I have the honour to acknowledge the receipt of your letters of September 13th, 19th, and 20th, 1939 (C. L. 141, 142, 143, 147, 148 and 158. 1939. V) by which you were good enough to inform me of the communications from His Majesty's Governments, in the United Kingdom, in the Commonwealth of Australia, in New Zealand and in the Union of South Africa, from the Government of the French Republic and from the Government of India, notifying you that they will not regard their acceptance of the Optional Clause of Article 36 of the Statute of the Permanent Court of International Justice as covering disputes relating to events which might occur during the present hostilities.

"The Belgian Government, which has itself accepted the Optional Clause, takes note of these communications, while reserving its own point of view."

Netherlands

"(Translation)

"The Ministry of Foreign Affairs has the honour to acknowledge the receipt of various communications from the Secretary-General concerning the acceptance of the Optional Clause of the Statute of the Permanent Court

¹⁰ See the *Bulletin* of October 7, 1939 (Vol. I, No. 15), pp. 352-354; of October 21, 1939 (Vol. I, No. 17), pp. 422-424; and of November 4, 1939 (Vol. I, No. 19), pp. 473-474.

of International Justice by His Majesty's Government in the United Kingdom, the Government of the French Republic, His Majesty's Governments in the Commonwealth of Australia, in New Zealand, and in the Union of South Africa, and the Government of India (C. L. 141, 142, 143, 147, 148, and 158. 1939.).

"The Royal Government, in taking note of these communications, is obliged to state that, having itself accepted the Optional Clause, it reserves its point of view."

POSTAL

Parcel Post Agreement With Lithuania

On January 5, 1940, the President approved and ratified the Parcel Post Agreement Between the United States and Lithuania, signed at Kaunas on December 4, 1939, and at Washington on December 28, 1939. The agreement will enter into force on February 1, 1940.

BOUNDARY

Convention Concerning Boundary Waters Between the United States and Canada (Treaty Series No. 548)

A statement regarding the reference for investigation, report, and recommendation of three questions relating to the waters of the Souris (Mouse) River to the International Joint Commission created by the provisions

of article 7 of the Convention Concerning Boundary Waters Between the United States and Canada, signed on January 11, 1909, appears in this *Bulletin* under the heading "International Conferences, Commissions, etc."

Publications

DEPARTMENT OF STATE

Diplomatic List, January 1940. Publication 1419. ii, 83 pp. Subscription \$1 a year; single copy 10¢.

Shipowners' Liability (Sick and Injured Seamen) Convention 1936: Convention Between the United States of America and Other Members of the International Labor Organization.—Adopted by the General Conference of the International Labor Organization, Twenty-first Session, Geneva, October 24, 1936; proclaimed by the President September 29, 1939. Treaty Series No. 951. 14 pp. 5¢.

Consular: Convention Between the United States of America and Liberia.—Signed at Monrovia October 7, 1938; proclaimed by the President November 30, 1939. Treaty Series No. 957. 9 pp. 5¢.

Legislation

Report Concerning Retirement and Disability Fund Foreign Service, Fiscal Year 1939: Message from the President of the United States Transmitting Report by the Secretary of State Showing All Receipts and Disbursements on Account of Refunds, Allowances, and Annuities for the Fiscal Year Ended June 30, 1939. (H. Doc. 563, 76th Cong., 3d sess.) 4 pp. 5¢.

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